



DELAWARE ECONOMIC INDEX

As of August 24, 2011

STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

FAIR

National Economic Trend: Weakening Economic Growth.

Issued by the
Office of Economic Policy

LEGEND FOR CURRENT STATE ECONOMIC CLIMATE

	STRONG
	MODERATE
	FAIR
	WEAK
	SEVERE

Key Rationale for Rating

- State unemployment rate increased by 0.1% to 8.1% compared to 9.1% nationally.
- The regional consumer price index increased by 0.6% from April to June, although average gas prices declined during the period.
- State housing market, including new construction and home prices (except Sussex County), remains weak.
- The four-week moving average of U.S. jobless claims stood at 402,500 for the period ended August 13, 2011. This is the lowest figure since April 16 and down from 424,750 during the previous edition of the Delaware Economic Index. Applications have been above 400,000 for 18 of the past 18 weeks. In Delaware, jobless claims have remained consistent since the previous Index. There were 1,355 new claims for the week ended June 25, 2011 and 1,292 new claims for the week ended August 6, 2011. The four-week average is 1,105 new claims.
- Consumer confidence declined to its lowest level in three (3) decades in the University of Michigan survey.
- The Federal Reserve Bank of Philadelphia's Leading Economic Index for Delaware indicates growth for Delaware's economy through the 4th quarter of 2011.
- Regional manufacturing weakened with the Federal Reserve Bank of Philadelphia's survey of regional manufacturing showing contraction in the sector during the period. However, Delaware manufacturing activity accounts for only 5% of the survey.
- Delaware's portfolio held and managed by the Delaware State Treasury as of August 23 is \$1.8 billion, compared to \$1.6 billion in August 2010.
- The Federal Reserve announced it will keep interest rates near zero through the middle of 2013.
- Overall, national and state job growth remained stagnant.
- The U.S. Bureau of Economic Analysis issued a revised GDP growth rate for the first quarter of 2011 to 0.4% and a preliminary figure of 1.3% for the second quarter of 2011.
- Significant economic news relating to Delaware attracting or retaining businesses occurred during the period (see "Recent Economic Activity" for details).

*State Treasurer Flowers
and
Secretary of State Bullock
Sign Major Agreement
with American Express*

For details, visit
www.treasury.delaware.gov

CONSUMER SECTOR

Unemployment



July, 2011

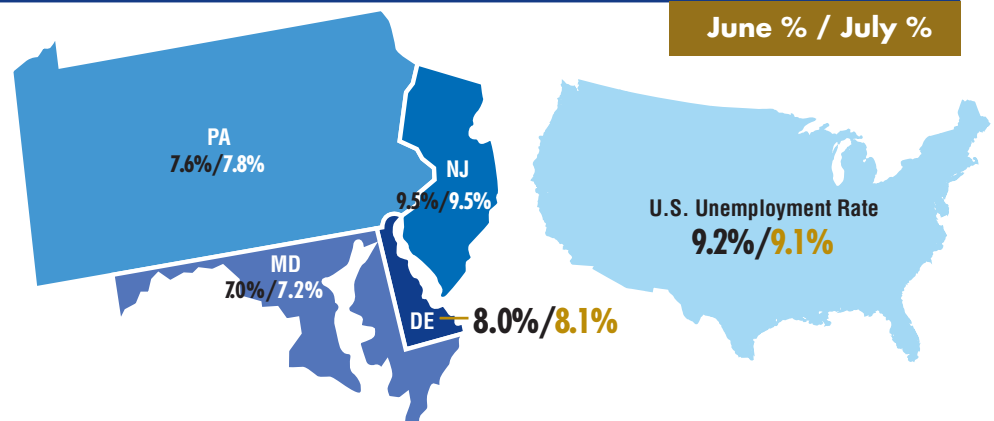
Delaware Unemployment Rate 8.1%

*In July 34,462
Delawareans were unemployed.*

Source: Delaware Department of Labor, seasonally adjusted

Regional Unemployment

June, 2011 / July, 2011



Sources: Delaware Department of Labor; New Jersey Department of Labor; Maryland Department of Labor, Licensing and Regulation; Pennsylvania Department of Labor & Industry, United States Bureau of Labor Statistics.



Delaware Jobless Claims

Initial Claims Filed

Week Ended	Number
July 16	1,109
July 23	978
July 30	1,042
August 6	1,105

Source: U.S. Department of Labor

Average Home Price



	July-2011	July-2010	Change
New Castle County	\$213,000	\$267,000	-20%
Kent County	\$195,000	\$210,000	-7%
Sussex County	\$368,000	\$335,000	+10%

Source: The News Journal

Gas Prices



	Delaware	United States
August 24, 2011	\$3.52	\$3.60
One Week Ago	\$3.56	\$3.60
One Month Ago	\$3.72	\$3.69
One Year Ago	\$2.57	\$2.70

Source: Delawaregasprices.com

Mortgage Rates



The average rate on a 30-year mortgage fell to its lowest rate on record.

	As of August 18, 2011	Week Prior
30-year fixed	4.15%	4.32%
15-year fixed	3.36%	3.50%
5-year ARM	3.08%	3.13%
1-year ARM	2.86%	2.89%

Source: Freddie Mac



Conference Board Consumer Confidence Index



Rating Index

90 = Doing well

100 = Strong growth

Source: Conference Board

Month	Index
July 2011	59.5
June 2011	57.6

University of Michigan Consumer Confidence Index

Month	Index
August 2011	54.9
July 2011	63.7

Source: University of Michigan

This was the lowest reading since May 1980.

Regional Consumer Price Index

	Apr-2011	Feb-2011	Change since Apr.	Change since June 2010
All Items	234.463	233.143	+0.6%	2.8%
Core	240.806	239.510	+0.5%	1.0%

The regional CPI covers the Philadelphia-Wilmington-Atlantic City Consolidated Metropolitan Statistical Area. In Delaware, it covers New Castle County. Core inflation is the inflation rate minus food and energy items.

Source: U.S. Bureau of Labor Statistics.

Producer Price Index



	May 2011	May 2010
Total	+0.2%	+7.2%
Except food and energy	+0.4%	N/A
Foods	+0.6%	N/A
Energy	+0.6%	N/A

This is the producer price index for finished goods. The index increased 0.2% in July after declining 0.4% in June.

Source: U.S. Bureau of Labor



FINANCIAL SECTOR

Stock Prices of Key Delaware Employers

Employer	June 20 2011	August 24 2011	% Change
AstraZeneca PLC	\$49.27	\$47.13	-4.34%
Bank of America Corp.	\$10.60	\$6.99	-34.06%
Citigroup Inc.	\$38.16	\$28.45	-25.45%
Dover Downs Gaming and Entertainment Inc.	\$3.17	\$2.59	-18.30%
DuPont	\$50.39	\$46.11	-8.49%
JP Morgan Chase & Co.	\$40.48	\$35.83	-11.49%
Kraft Foods Inc.	\$34.80	\$34.22	-1.67%
M & T Bank Corp.	\$87.80	\$74.17	-15.52%
PNC Financial Services Co.	\$56.66	\$46.87	-17.28%
Siemens AG	\$131.08	\$103.24	-21.24%
Verizon Communications Inc.	\$35.65	\$36.47	+2.30%
Walgreens	\$45.18	\$34.33	-24.01%
Wells Fargo	\$26.95	\$24.43	-9.35%
S & P 500 Index	1,278.36	1,177.60	-7.88%
Dow Jones Industrial Average	12,080.38	11,320.71	-6.29%

Source: Google Finance

Coincident Index

The coincident index for Delaware decreased by 0.1% in July. The unemployment rate increased by 0.1%, but payroll employment and average hours worked in manufacturing rose.

Source Federal Reserve Bank of Philadelphia

The Coincident Index is issued by the Federal Reserve Bank of Philadelphia to summarize economic conditions in the region. An increase in a state's coincident index indicates an increase in such state's Gross Domestic Product (GDP) growth.

Area	July 2011	1-Month Change	3-Month Change	12-Month Change
Delaware	139.6	-0.1%	0.0%	0.5%
Pennsylvania	141.7	0.0%	+0.3%	+3.3%
New Jersey	148.3	+0.3%	+0.7%	+1.5%
United States	153.0	+0.2%	+0.5%	+2.4%

Leading Index

The leading index for Delaware remained in positive territory due to increases in the state's coincident index and building permits. Delaware's leading index for June suggests expansion in the state's economy through the fourth quarter of 2011.

Source Federal Reserve Bank of Philadelphia

The Leading Index is issued by the Federal Reserve Bank of Philadelphia to predict the six-month growth rate of a state's Coincident Index.

Area	June	May	April
Delaware	0.3	0.5	0.6
Pennsylvania	0.6	1.6	2.8
New Jersey	0.7	0.2	0.7
United States	0.8	1.3	1.8



Treasury's Portfolio Balances

(As of August 24, 2011)

Portfolio	Market Value	% of Total
Liquidity A/Cs:		
JP Morgan Res & Cash	330,193,410.17	18.58%
Wells Capital Liquidity	324,071,260.01	18.24%
Wilmington Trust Liquidity	467,999,812.60	26.34%
BNYM Cash Inv Strategies	140,760,768.87	7.92%
Intermediate Accounts:		
Schroder's Intern	382,965,269.38	21.55%
Schroder's L&W Endowment	76,310,600.15	4.29%
Schroder's Health Fund Endowment	54,481,632.73	3.07%
Total	1,776,782,753.91	100.00%

Key Interest Rates

Rate	8/24/11	Month Ago	Year Ago
Wall Street Journal Prime Rates	3.25%	3.25%	3.25%
Federal Discount Rate	0.75%	0.75%	0.75%
Fed Funds Rate	0.25%	0.25%	0.25%
Bond Buyer's 20 Bond Index	3.83%	4.46%	4.03%
1 Month LIBOR Rate	0.22%	0.19%	0.26%
3 Month LIBOR Rate	0.31%	0.25%	0.31%
6 Month LIBOR Rate	0.48%	0.43%	0.52%
1 Year LIBOR Rate	0.78%	0.75%	0.91%
Call Money	2.00%	2.00%	2.00%

Source: Bankrate.com

U.S. Treasury Department Bond Rates

Date	4 Weeks		52 Weeks	
	Bank Discount	Investment Yield	Bank Discount	Investment Yield
June 17, 2011	0.02%	0.02%	0.20%	0.20%
Aug. 24, 2011	0.02%	0.02%	0.11%	0.11%

Source: U.S. Treasury Department

Key Benchmark Exchange Rates

As of August 24, 2011

Currency	Value (in U.S. Dollars)	Change (from previous Index)
Euro	\$1.442	+ 0.79%
British Pound	\$1.637	+ 1.16%
Japanese Yen	\$0.013	+ 4.00%
Australian Dollar	\$1.047	- 1.00%
Canadian Dollar	\$1.015	- 0.59%
Swiss Franc	\$1.258	+ 6.47%

Source: Google Finance



National Manufacturing

National economic activity in the manufacturing sector expanded in July for the 24th consecutive month as the PMI stood at 50.9%, but the rate of growth slowed as the PMI decreased by 4.4%. The New Orders Index showed contraction for the first time since June of 2009. The rate of increase in prices slowed for the third consecutive month. The Prices Index has fallen by 26.5% over the last three months. However, despite the relief in pricing there is some evidence to suggest a slowdown in domestic demand in the near term, while exports remain strong.

Index	Series Index July	Series Index June	% Point Change	Status	Rate of Change	Trend* (Months)
PMI	50.9	55.3	-4.4	Growing	Slower	24
New Orders	49.2	51.6	-2.4	Contracting	From Growing	1
Production	52.3	54.5	-2.2	Growing	Slower	26
Employment	53.5	59.9	-6.4	Growing	Slower	22
Supplier Deliveries	50.4	56.3	-5.9	Slowing	Slower	26
Inventories	49.3	54.1	-4.8	Contracting	From Growing	1
Customers' Inventories	44.0	47.0	-3.0	Too Low	Faster	28
Prices	59.0	68.0	-9.0	Increasing	Slower	25
Backlog of Orders	45.0	49.0	-4.0	Contracting	Faster	2
Exports	54.0	53.5	+0.5	Growing	Faster	25
Imports	53.5	51.0	+2.5	Growing	Faster	23

Source: ISM Report on Business

National Non-Manufacturing

National economic activity in the non-manufacturing sector grew in July for the 20th consecutive month. The NMI registered at 52.7%, down 0.6% from June, indicating continued growth albeit at a slower rate in the non-manufacturing sector. Respondents' offered generally mixed views but most indicated the business climate is flattening out.

Index	Series Index July	Series Index June	% Point Change	Status	Rate of Change	Trend* (Months)
NMI/PMI	52.7	53.3	-0.6	Growing	Slower	20
Business Activity/Production	56.1	53.4	+2.7	Growing	Faster	24
New Orders	51.7	53.6	-1.9	Growing	Slower	24
Employment	52.5	54.1	-1.6	Growing	Slower	11
Supplier Deliveries	50.5	52.0	-1.5	Slowing	Slower	16
Inventories	56.5	53.5	+3.0	Growing	Faster	6
Prices	56.6	60.9	-4.3	Increasing	Slower	24
Backlog of Orders	44.0	48.5	-4.5	Contracting	Faster	2
New Export Orders	49.0	57.0	-8.0	Contracting	From Growing	1
Imports	47.5	46.5	+1.0	Contracting	Slower	2
Inventory Sentiment	59.5	58.5	+1.0	Too High	Faster	170
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A

Source: ISM Report on Business



BUSINESS SECTOR

Regional Business Outlook Survey Diffusion Indexes

Responses to this month's Business Outlook Survey suggest that regional manufacturing activity dipped significantly in August. The Survey's broad indicators for activity, shipments, and new orders all declined sharply from last month. Firms indicated that employment and average work hours are lower this month. Price indexes continued to show a trend of moderating price pressures. The broadest indicator of future activity also weakened markedly, but firms still expect overall growth in shipments, new orders, and employment over the next six months. It should be noted that the collection period for this month's survey ran from August 8-16, overlapping a week of unusually high volatility in both domestic and international financial markets.

Source: Federal Reserve Bank of Philadelphia

	August 2011	July 2011
General Evaluation	-30.7	3.2
New Orders	-26.8	0.1
Shipments	-13.9	4.3
Unfilled Orders	-20.9	-16.3
Delivery Times	-18.1	6.4
Inventories	-9.8	1.4
Prices Paid	12.8	25.1
Prices Received	-9	1.1
Number of Employees	-5.2	8.9
Average Employee Workweek	-14.4	-5.4

Small Business Optimism Index

The NFIB Small Business Optimism Index declined for the fifth consecutive month, dropping 0.9 points in July.

Month	Index
June	90.8
July	89.9

Source: National Federation of Independent Businesses

Consumer Spending

Years	Rate of Growth
2003-2007	14%
2007-2011	3%

Source: Time Magazine



Federal Debt-Limit Compromise

Part I: Spending cuts of \$917 billion over 10 years.

- \$350 billion in defense and national security programs.
- \$391 billion in other discretionary programs.
- \$20 billion student loans and administrative savings.
- \$156 billion in interest savings.

By November, a congressional supercommittee must agree to at least \$1.2 trillion in additional cuts or tax increases. If it is not able to do so or the plan does not become law, the following in \$1.2 trillion cuts will automatically take place beginning on January 2, 2013.

Part II: Spending cuts of \$1.2 trillion over 10 years.

- \$500 billion in military spending.
- \$500 billion in Medicare spending.
- \$200 billion in interest savings.

Source: Time Magazine

Current Debt

The current national debt totals \$14.3 trillion. Here is how it breaks down:

- \$2.7 trillion for Social Security.
- \$901 billion for civilian federal government retirees.
- \$428 billion for military retirees.
- \$587 billion for miscellaneous government programs.
- \$1.4 trillion for interest on the debt.
- \$1.3 trillion for "other" nondefense spending.
- \$272 billion for the Medicare part D program.
- \$663 billion for "other" defense spending.
- \$1.3 trillion for the wars in Iraq and Afghanistan.
- \$391 billion for the December 2010 tax deal.
- \$678 billion for "other" tax cuts.
- \$1.7 trillion for the Bush-era tax cuts.
- \$719 billion for the Recovery Act.
- \$16 billion for the TARP program.
- \$3.6 trillion due to shortfalls from recessions.

Source: Time Magazine

— SPECIAL REPORT — Debt Crisis Key Factors Affecting Economy

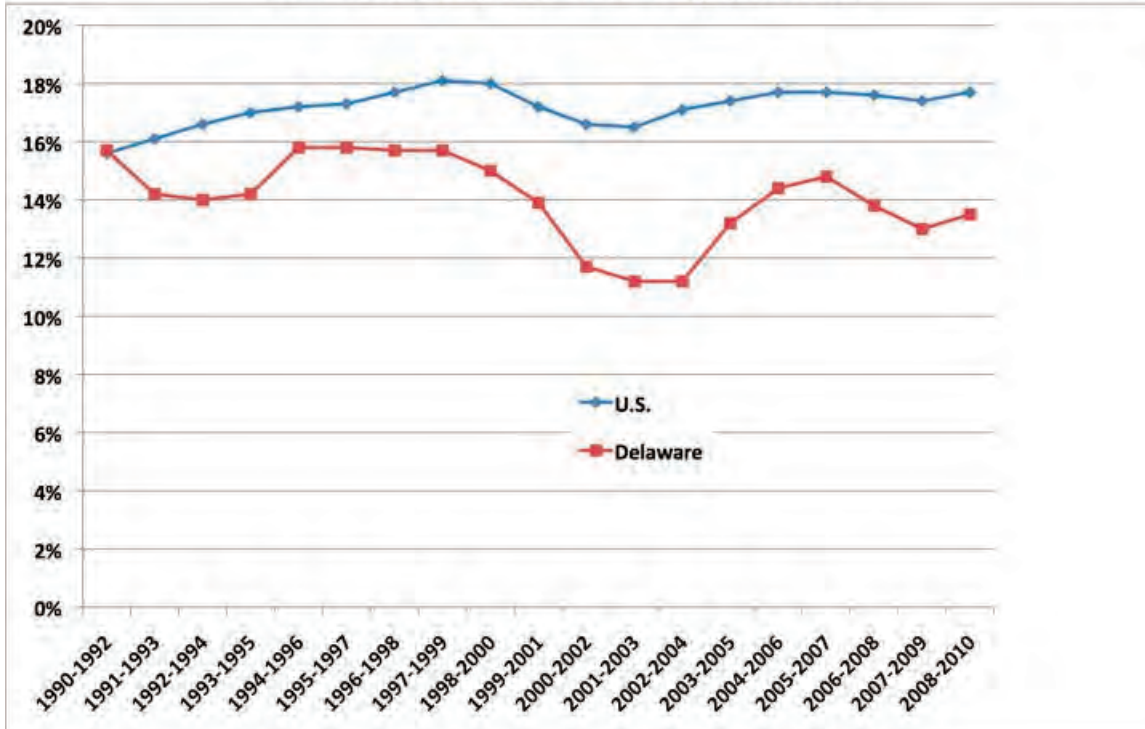
- U.S. President Obama signed legislation to raise the national debt ceiling to cover U.S. expenditures until 2013. The deal requires deficit reduction of \$2.1-\$2.4 trillion over the next decade.
- U.S. stock markets experienced significant volatility during the period reducing GDP forecasts, the U.S. Government debt ceiling debate and the U.S. Government debt downgrade as contributing factors.
- The Federal Reserve and numerous analysts revised projections for U.S. and international economic growth downward for the remainder of 2011.
- Standard & Poor's (S&P) downgraded the U.S. Government's credit rating from AAA to AA +; however, Moody's and Fitch reaffirmed the U.S. Government's credit rating at AAA.



NON-PROFIT SECTOR

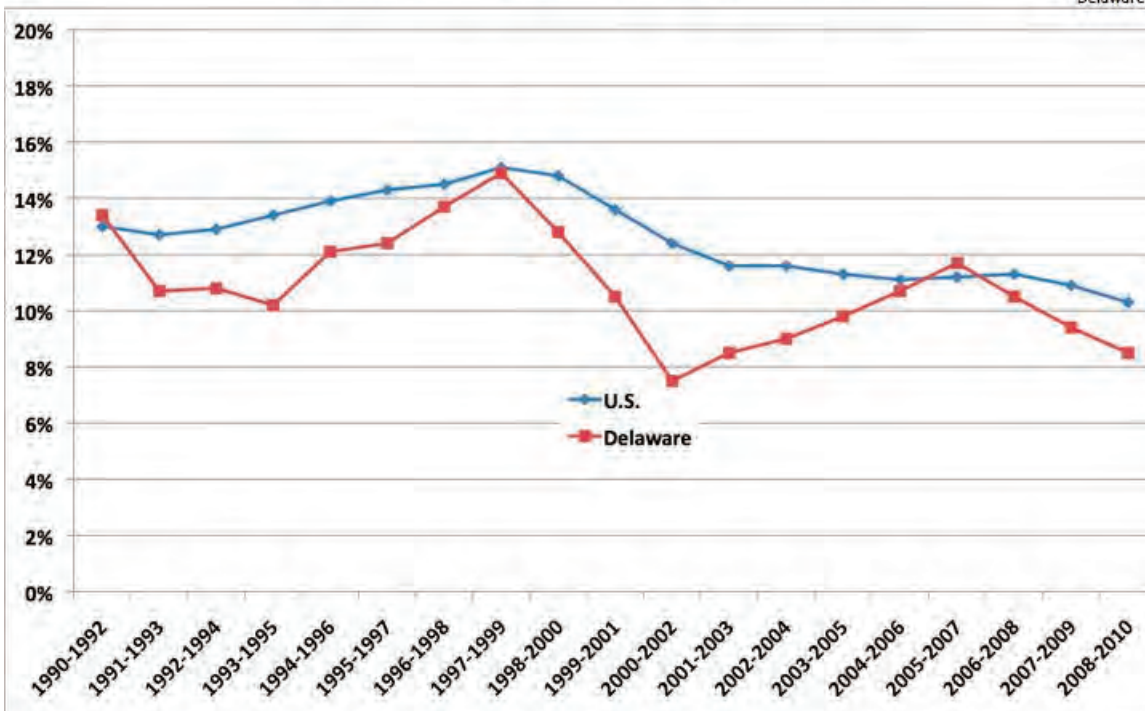
Percentage of Persons (0-64) Not Covered by Health Insurance
U.S. and Delaware, Three-Year Average, 1990-2010

Center for Applied
Demography and
Survey Research,
University of
Delaware



Percentage of Children Not Covered by Health Insurance
U.S. and Delaware, Three-Year Average, 1990-2010

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OTHER ECONOMIC ACTIVITY

Recent Economic Activity

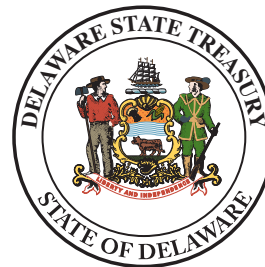
- State Treasurer Chip Flowers and Secretary of State Jeffrey Bullock signed an agreement with American Express Company that will provide individuals and 900,000 companies registered in Delaware another payment option for certain state government services.
- State Treasurer Flowers proposes changes to the Delaware investment guidelines aimed at diversifying state funds, improving the performance and flexibility of the state's portfolio and supporting Delaware financial institutions.
- The United States Postal Service announced it may close up to 3,700 post offices. None of the post offices being considered for closure at this Index are in Delaware.
- Fisker Automotive announced that it will hire 120 workers at its Delaware plant in 2011.
- Hawker Beechcraft Corporation announced plans to open a regional aircraft maintenance facility at New Castle Airport. It expects to hire 100 people over the next five (5) years. The company received \$750,000 in state economic development funds from the Delaware Economic Development Office (DEDO).
- M & T Bank Corporation announced plans for a \$20 million investment in a call center in Millsboro. It anticipates creating 40 jobs at the call center and another 10 at the data center.
- Citigroup Inc. announced it will expand its credit card business into Wilmington and bring up to 200 jobs to Wilmington. DEDO will provide Citigroup with \$3 million in grants to facilitate the move. The City of Wilmington also offered \$390,000 in low-interest loans that will become grants if Citigroup reaches job creation and retention goals.
- A subsidiary of Athene Holding Ltd. announced it will relocate its distribution and marketing operations from Kansas City, Missouri to Wilmington. It will bring 18 jobs to Wilmington. The City of Wilmington provided a loan of \$52,000 that will convert to a grant if it reaches jobs goals to encourage the move.
- DYK Automotive, LLC leased a location in Glasgow to become its regional distribution center for a national automobile after-market supplier for a national automobile after-market supplier.
- Omtron USA, LLC which purchased poultry firm Townsends, Inc., announced it will close the business and lay off 1,000 people nationally, including 40 in Delaware.
- HSBC Holdings PLC announced it would shed 30,000 jobs globally. It previously had stated it would lay off 500 workers in Delaware.
- ShopRite Supermarkets announced it will open a location in Bear, formerly held by Safeway, that will employ approximately 200 people. It will be the fifth ShopRite in Delaware.
- Southwest Windpower will move its operations from Arizona to Delaware. It may create 111 jobs over the next three years. DEDO offered a \$1.2 million grant, which is pending approval by the Council on Development Finance.
- During a trip to Chile, Governor Markell signed an agreement with Pacific Seaways, a key customer of the Port of Wilmington, which stores and distributes great quantities of Chilean fruit. The agreement will extend the relationship through June 30, 2014, impacting 600 Delaware jobs.
- Pyramid Transport Inc. moved its operations from Maryland to Bridgeville. The move will bring 84 jobs to Delaware.
- Bank of America Corporation announced its intentions to lay off 3,500 employees nationally. It is unclear the number of employees that will be terminated in Delaware.
- The bookstore chain, Borders Group, Inc. announced that it will be closing its operations, affecting approximately 60 employees at locations in Brandywine Hundred, Newark, and Dover.
- DEDO will provide Discover Bank a \$7.4 million grant to assist the company retain 900 of its Delaware employees. The agreement between DEDO and Discover requires Discover to finance up to \$7 million a year in economic development grants.
- U.S. President Obama signed legislation to raise the national debt ceiling to cover U.S. expenditures until 2013. The deal requires U.S. deficit reduction of \$2.1-2.4 trillion over the next decade.
- Moody's and Fitch affirmed the U.S. Government's "AAA" bond rating; however, S&P downgraded federal debt to "AA +" following the debt ceiling controversy.
- The Federal Reserve announced it will keep interest rates at near zero through the middle of 2013.
- Harim Foods of South Korea purchased the assets of Allen Foods. It will employ 500 people at Allen's former Harberston facility.

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